

Message Text

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ACTION NEA-09

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FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 0733

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KUWAIT 3674

E.O. 11652: N/A

TAGS: BMEP, EIND, KU

SUBJECT: MAJOR PROJECT: KUWAIT ALUMINUM SMELTER

REF: KUWAIT 3630

1. WE ARE GETTING CONTRADICTORY REPORTS ON STATUS KUWAIT ALUMINUM SMELTER PROJECT. MINISTER FINANCE AND OIL ATEEQI HAS TOLD ME HE IS PERSONALLY AGAINST PROJECT. OTHERS, INCLUDING ASSISTANT UNDERSECRETARY FOR INDUSTRY MOHAMAD MADOO, INSIST PRIME MINISTER HAS RECENTLY GIVEN GREEN LIGHT, NOTWITHSTANDING ATEEQI'S OBJECTIONS.

2. ATEEQI TOLD ME AUGUST 29 HE OPPOSES ANY PROJECT THAT REQUIRES SUBSTANTIAL IMPORTATION OF RAW MATERIALS AND UTILIZATION OF "CHEAP" LOCAL FUEL AND WHICH CAUSES POLLUTION. HE DISTINGUISHES BETWEEN INDUSTRIES SUCH AS PETROCHEMICALS WHICH USE GAS AS RAW MATERIAL WHICH HE SUPPORTS AND THOSE SUCH AS ALUMINUM WHICH, ALTHOUGH ENERGY INTENSIVE REQUIRE SUBSTANTIAL IMPORTS OF RAW MATERIALS. OTHERS HERE CAN BE EXPECTED TO RAISE QUESTIONS ABOUT IMPORTED LABOR AND POLLUTION IMPLICATIONS OF ALUMINUM PROJECT (SEE REFTEL).

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3. IN ADDITION TO ALCAN (CANADA), SWISS AND ITALIAN GROUPS WHO HAVE APPROACHED KUWAITIS RE ALUMINUM, AMAX, MARTIN-MARIETTA AND KAISER OF US FIRMS HAVE DISCUSSED MATTER. THERE HAVE BEEN SOME COMPLAINTS ABOUT MANNER IN WHICH BOTH MARTIN-MARIETTA AND AMAX CONDUCTED THEMSELVES HERE, AND ATEEQI SAID THAT IF, IN FACT, DECISION EVER MADE TO GO FORWARD, GOK WOULD CALL IN COMPANIES (ALCAN, KAISER) WHO WERE FIRST TO RAISE IDEA OF HAVING ALUMINUM SMELTER HERE. ONE SENIOR OFFICIAL HAS STATED A PREFERENCE FOR DEALING WITH US FIRMS BECAUSE OF THEIR TECHNICAL SUPERIORITY.

4. COMMENT: WE THINK ALUMINUM DEBATE NOT OVER YET. ATEEQI SHOULD AT LEAST BE ABLE TO STRETCH OUT DECISION-MAKING PROCESS. APPEARS, HOWEVER, THAT PROJECT COULD GET GREEN LIGHT IF, AS SOME ALLEGE, PM HAS DECIDED TO OVERRULE ATEEQI ON THIS MATTER. SITUATION MAY BE CLEARER IN A FEW WEEKS. IF PROJECT GOES FORWARD, US FIRMS APPEAR TO HAVE GOOD CHANCE TO BE ASKED PARTICIPATE.

5. ACTION REQUESTED: COMMERCE REQUESTED INFORM APPROPRIATE OFFICERS OF AMAX, KAISER AND MARTIN-MARIETTA, AS WELL AS OTHER INTERESTED FIRMS OF OUR ANALYSIS, WHICH THEY SHOULD TREAT WITH DISCRETION. IN ADDITION, GEORGE BALL OF LEHMAN BROTHERS SHOULD ALSO BE BRIEFED BECAUSE OF HIS INTEREST IN CONNECTION WITH AMAX. BALL SHOULD BE ADVISED THAT WE NOW UNDERSTAND THAT OLD ALUMINUM STUDY MOST LIKELY WILL NOT RPT NOT BE MADE AVAILABLE TO HIM, BASED ON INFO WE HAVE FROM ABU SA'UD. EMBASSY WILL ATTEMPT OBTAIN ADDITIONAL INFO ASAP AND WILL KEEP COMMERCE ADVISED.
STOLTZFUS

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